

Customer Name:

ETRAN Application Number:

SBA Loan Number:

Lender's Loan Number:

SBA Guaranty Fee: \$

## **7(a) Loans Over \$350,000 – NON-PLP Processing Method Checklist**

**Required Forms & Eligibility:** *Forms should be obtained from the SBA's website (<https://www.sba.gov/partners/lenders>)*

- ☐ Form 1919-Borrower Information Form - To be filled out by the customer/guarantors, 20% or more owners & anyone hired to manage day-to-day operations of the business
- ☐ Form 1920-To be filled out by the lender
- ☐ Form 912-Statement of Personal History (if required) – Necessary if Form 1919 questions 18 or 19 are answered “yes”
- ☐ Form 601-Agreement of Compliance- if more than \$10,000 in loan funds is being used for construction
- ☐ SBA Form 159-Fee Disclosure Forms and Compensation Agreement
  - o Must be filed if an Agent is used whether the Lender or Borrower pays the agent fee or if Lender charges an application fee
- ☐ Credit Alert Verification Reporting System - Review CAIVRS for Borrower & Guarantors to ensure no delinquent debt with or prior losses to the government. A copy should be kept in the lender's files. CAIVRS USER ID required: <https://entp.hud.gov/caivrs/public/home.html>
- ☐ IRS 4506-T: Request for Tax Receipts-required if not a start-up & MUST be reviewed prior to first disbursement (note review in credit memo/credit analysis). Required for the SELLER on business acquisitions
- ☐ Lender is responsible to check the Franchise Directory to determine if it includes the applicant's brand. (See page 95 in [SOP 50 10 5\(K\)](#)) – The Franchise Directory) (See [SBA Notice 5000-17009](#) for **Franchise Review** Process)
- ☐ Check [www.sam.gov](http://www.sam.gov) to ensure Agents & employees involved with the loan are not excluded from doing business with the government (employees need only be checked once)

**Credit Standards & Analysis:** *Credit analysis must be consistent with lender's similarly sized non-guaranteed loan portfolio & must reflect*

- ☐ Use of Proceeds (sources & uses for entire project is helpful)
- ☐ Analysis of repayment ability showing ability to repay based upon historical cash flow or supported projected income with an explanation as to why projections are being used
  - o DSCR must equal or exceed 1.15 on a historical and/or projected cash flow basis and 1:1 on a global basis
  - o EBITDA or Operating Cash Flow must reflect appropriate adjustments for unfunded cap. ex., non-recurring income, expenses & distributions, etc.
  - o If repayment is based upon projections an analysis of assumptions must be included
    - o Why were expenses reduced if applicable
    - o Why is revenue growth anticipated if applicable
    - o Industry analysis
- ☐ Equity Injection Analysis (Startup and Ownership changes – at least 10% required)
- ☐ Spread of Pro-Forma Business Balance Sheet (Day One following the loan)
- ☐ Ratio Calculations based upon Pro-Forma Balance Sheet & Historical & Projected Income Statements
  - o Current Ratio, Debt/Tangible Net Worth, DSC, & others relevant to business/industry
- ☐ Analysis of working capital adequacy to support projected sales growth in the next 12 months
- ☐ Description of the history of the business
  - o Length of time in business
  - o Length of time under current management
  - o Depth of management experience in this industry or related industry
- ☐ Owner/Guarantor Analysis
- ☐ Credit Elsewhere/reason for guaranty qualification addressed in Credit Analysis

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**Submission Process – Requesting the Guaranty:** *All 7a applications must be submitted via E-Tran or SBA One with supporting documentation using the document upload feature or Send This File with the SBA application number included in the Send This File transmission using the 10-Tab submission format*

☐ Enter Application Information & Submit via E-Tran or SBA One through CAFS:

[https://caweb.sba.gov/cls/dsp\\_login.cfm](https://caweb.sba.gov/cls/dsp_login.cfm)

☐ Place application information in the 10 Tab ensuring all tabs contain documents

- If a tab is not applicable or alternative information has been provided make note of that in the packet
- The 10 Tab can be found on LGPC site at: <https://www.sba.gov/CitrusHeightsLGPC>
- SBA One contains 10 Tab format for loan submission

☐ Upload documents using Document button in ETRAN, via Send this File or in SBA One

☐ 1919

☐ 1920

☐ Lender's Credit Memo

☐ Draft of the Loan Authorization (use the Authorization Wizard to produce)

☐ Personal Financial Statement dated within 90 days of submission to SBA (SBA Form 413 optional)

☐ SBA Form 912, Alien Verification documents, etc. IF NECESSARY

☐ Business or Equipment Valuations IF NECESSARY

☐ Business Financials or Tax Returns dated within 180 days of submission to SBA

☐ Year End Balance Sheet for last 3 years including debt schedule

☐ Year End P & L for last 3 years

☐ Reconciliation of Net Worth

☐ Interim Balance Sheet

☐ Interim P & L

☐ Affiliate Financials &/or Tax Returns dated within 180 days of submission to SBA

☐ Year End Balance Sheet for last 3 years including debt schedule

☐ Year End P & L for last 3 years

☐ Interim Balance Sheet

☐ Interim P & L

☐ Additional Documents depending upon the loan type (appraisal/valuation if real estate; P & S if change in ownership, etc.)

☐ Copy of Lease if applicable

☐ List of items to be purchased with loan proceeds & valuations

☐ Detailed Collateral list

☐ If Real Estate Purchase

o Appraisal

o Lender's Environmental Questionnaire & Record Search with Risk Assessment (see SOP 50 10 5(K) Pages 205-213)

o Sources & Uses of Funds Breakdown

o Copy of Purchase & Sales Agreement

☐ If Business Acquisition

o Business Valuation (detail dependent upon size of the transaction)

o Pro-Forma (Day One) balance sheet

o 3 years of financials for the seller

o Sources & Uses of Funds Breakdown

o Copy of buy-sell agreement

☐ Include SBA ETRAN Application number, Control Number, name, email & phone number of the lender's contact person if using Send This File to submit loan request

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**Closing Procedures:** *SBA documents or bank documents may be used, but they must include SBA specific language; Lenders must use the same closing, disbursement & documentation procedures as for similarly sized non-SBA guaranteed commercial loans. All collateral & other required conditions must be met prior to loan disbursement*

- ☐ Final Loan Authorization will be provided by the Loan Guaranty Processing Center
- ☐ Late Penalty Fee-
  - not to exceed 5% of the regular loan payment
  - must be delinquent more than 10 days
  - SBA will not pay any portion of this fee at time of purchase
- ☐ Prepayment Terms will be outlined in the Loan Authorization
  - No lender pre-payment penalty is allowed
  - Subsidy Recoupment Fee/Pre-Payment Penalty –
    - SBA charges a Subsidy Recoupment Fee on loans with a maturity of 15 years or more (5%, 3%, 1% of the prepayment amount if more than 25% paid in any 1 year)
- ☐ Escrow accounts for taxes &/or insurance cannot exceed 105% of the amount charged in the current year
- ☐ SBA Language for Note & Guaranty (sub-section 2(a) and (b), and; 3, page 235 of SOP 50 10 5(K))
- ☐ Lender's Note –
  - must be legally enforceable and assignable
  - have a stated maturity
  - is not payable on demand
  - Contains the following language: "When SBA is the holder, this Note will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Note, Borrower may not claim or assert against SBA any local or state law to deny any obligation, defeat any claim of SBA, or preempt federal law."
- ☐ Lender's Guaranty must contain the following language: "When SBA is the holder, the Note and this Guarantee will be interpreted and enforced under federal law, including SBA regulations. Lender or SBA may use state or local procedures for filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using such procedures, SBA does not waive any federal immunity from state or local control, penalty, tax, or liability. As to this Guarantee, Guarantor may not claim or assert any local or state law against SBA to deny any obligation, defeat any claims of SBA, or preempt federal law."
- ☐ The following language must appear in all lien instruments, including mortgages, deeds of trust, and security agreements (sub-section 3, page 235 of SOP 50 1 5 (K)):

*"The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:*

  - a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.*
  - b) Lender or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan.*
  - c) Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument."*

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- ☐ Borrower's Certifications – provided at the end of the Loan Authorization must be signed by the Borrower
- ☐ Loan Agreement – provided at the end of the Loan Authorization must be signed by the Borrower & the Lender
- ☐ SBA Form 1050 – Settlement Sheet
- ☐ Print a copy of the application using the “REPORTS” button in ETRAN, sign and retain in file
- ☐ Print a copy of the Application Status Report using the “REPORTS” button in ETRAN and retain in the file
- ☐ Payment of the Guaranty fee via [www.pay.gov](http://www.pay.gov)
- ☐ Begin reporting via 1502 (Colson Reporting Services) in the month following SBA issuance of a loan number (report as fully undisbursed if not yet closed)